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June 17, 1996

Mr. William F. Caton
Secretary
Federal Communications Commission
Room 222
1919 M Street NW
Washington, D.C. 20054

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JUN 17 1997

Federal Communications Commission
Office of Secretary

Re: CC Docket No. 96-98: Implementation of the Local Competition Provisions of the
Telecommunications Act of 1996

Dear Mr. Caton:

On June 13, 1997, Gary Steele, Carl Giesy and I met with Blaise Scinto, Kalpak Gude, James Schlichting and Richard Metzger of the Common Carrier Bureau. The discussion related to the importance of shared transport to the development of local competition.

On the definitional issues, MCI noted that any interpretation of the FCC's order in this proceeding must consider "transport" to include transport priced on a per minute of use basis. MCI contrasted that to Ameritech's view of "shared transport", which would have transport priced only on a flat rated (per month) basis.

On the importance of transport defined to include per minute of use pricing options, MCI noted the need for this form of transport when providing local exchange service via unbundled local switching. MCI noted that other ILECs, including NYNEX and Bell South, were offering transport on a per minute of use basis. MCI presented a diagram (attached) displaying one possible scenario of the trunking arrangements that may need to be established when provisioning local service via unbundled local switching. MCI noted that use of unbundled local switching will require transport be priced on a per minute of use basis because unbundled local switching is likely to be used in less densely populated areas, areas where new entrants may have insufficient customer volume to justify flat rated (dedicated) transport. (MCI noted that flat rated transport may be used to transport some calls from/to the end office, such as calls destined to an IXC's point of presence.)

MCI further noted that Ameritech's proposed non-recurring charges associated with Ameritech's shared or dedicated transport made the use of flat rated shared or dedicated even more uneconomic. For example, in Illinois, Ameritech in connection with its unbundled local switching proposal is attempting to impose monthly trunk port charges of \$147.56 for each digital trunk port. In addition to that recurring rate, Ameritech is attempting to impose a nonrecurring charge of \$729.39 for each trunk port. If Ameritech is successful in forcing new entrance to use such dedicated trunking facilities in conjunction with unbundled local switching, then there is little likelihood of unbundled local switching being a viable local service delivery method where traffic volumes do not justify flat-rated transport.

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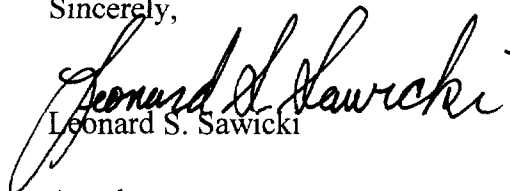
MCI further noted that under Ameritech's proposal for unbundled local switching, Ameritech could potentially attempt to require new entrants to establish flat-rated shared or dedicated transport to each end office and each tandem in the local service territory — as opposed to establishing one shared transport link to the access tandem that services the end office from which the new entrant has purchased unbundled local switching. MCI noted that Ameritech's position on this issue was not clear, nor had these interconnection issues regarding unbundled local switching been determined anywhere. However, if Ameritech were to require flat-rated shared or dedicated transport to each end office and each access tandem (and potentially to each IXC and each CLEC and each independent Telco) in that local serving area, then the costs of establishing such trunking would make the use of unbundled switching prohibitively expensive.

MCI noted the importance of unbundled local switching as a means of enabling new entrants to offer facilities-based local exchange service on a wide-spread basis. MCI noted that properly defined transport is one of the issues that needs to be resolved before unbundled local switching can be used effectively to provide competitive service. Other issues include, but are not limited to:

- a) treatment of switched access revenues when an interexchange call is originated or terminated from/to a customer served by a new local provider via unbundled local switching;
- b) reciprocal compensation arrangements between the incumbent provider and the new entrant, when the new entrant uses unbundled local switching to provide local service;
- c) rate structure and rate level of unbundled local switching, including both recurring and non-recurring rates;
- d) specific interconnection issues, such as trunking to access tandems and interconnection with IXCs, other CLECs, and independent Telcos;
- e) ordering, provisioning, billing, and maintenance issues relating to unbundled local switching.

Please add this letter and the enclosed copy to the record of this proceeding.

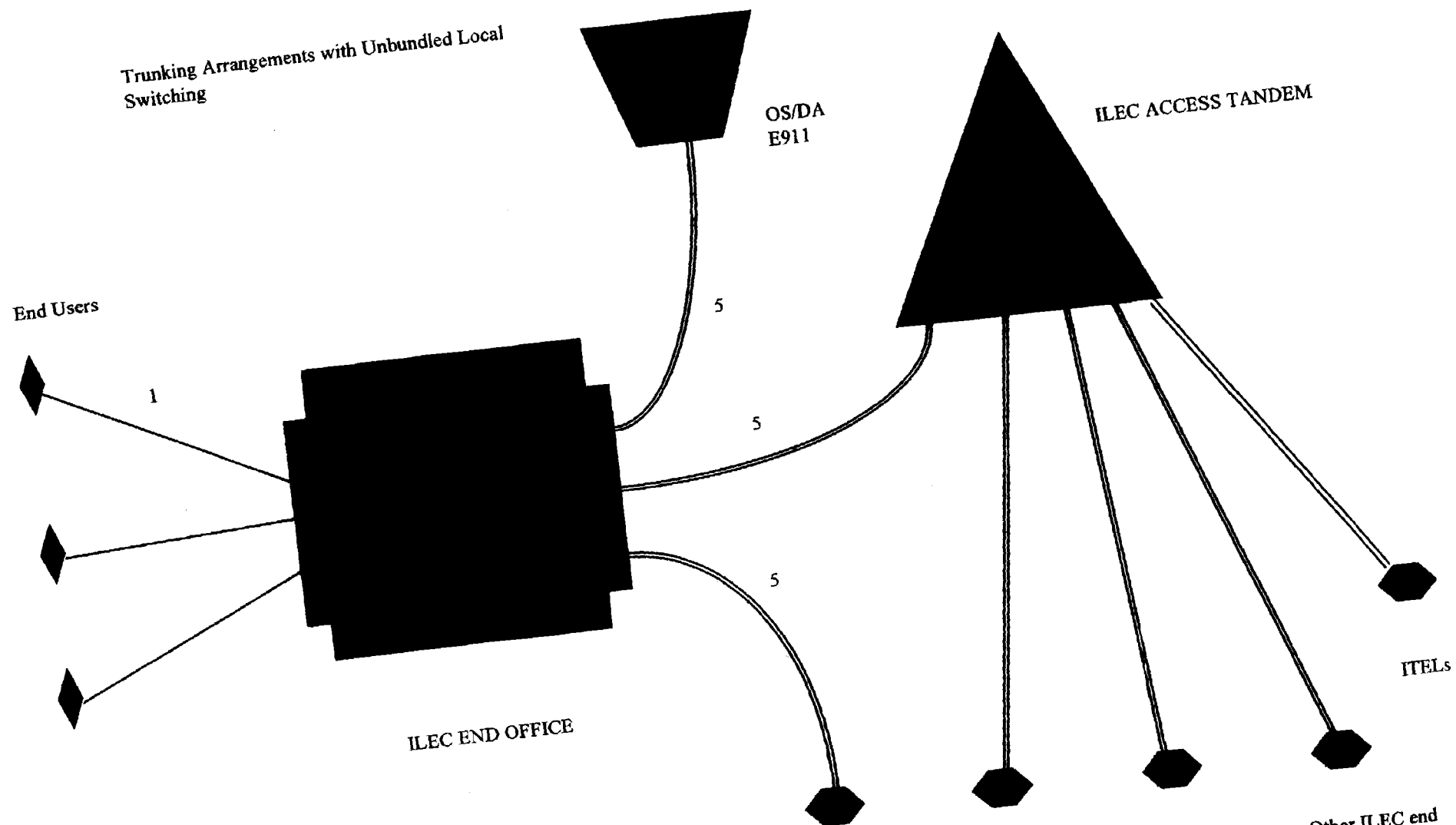
Sincerely,


Leonard S. Sawicki

Attachment

cc: Mr. Gude
Mr. Metzger
Mr. Schlichting
Ms. Scinto

Trunking Arrangements with Unbundled Local Switching



Legend:

- 1 -- local loop
- 2 -- line port (part of unbundled local switching)
- 3 -- switching matrix (part of unbundled local switching)
- 4 -- trunk port (Part of unbundled local switching)
- 5 -- shared or dedicated transport

Notes on Trunking Arrangements

1. For traffic destined to or coming from IXC's via shared transport, CLEC's switched access rates should apply (ILEC to be paid appropriate transit rate). There should be no need to establish separate shared or dedicated trunking facilities to each IXC point of presence (unless volumes justify such).
2. For traffic destined to or coming from other CLECs, appropriate reciprocal compensation rates should apply (ILEC to be paid appropriate transit rate). There should be no need to establish separate shared or dedicated transport facilities to each other CLEC.
3. For traffic destined to or coming from other ILEC offices, either reciprocal compensation rates (if local) or switched access rates (if toll) should apply. There should be no need to establish separate shared or dedicated transport facilities for each ILEC end office or each ILEC access tandem.
4. For traffic destined to or coming from independent Telcos, reciprocal compensation rates should apply (ILEC to be paid appropriate transit rate). There should be no need to establish separate shared or dedicated transport to each independent telco.